

# INVESTMENT IN STATE SECURITIES FOR NON-BANK FINANCIAL SERVICE INSTITUTION

## (Regulation of the Financial Service Authorities Number 1/POJK.05/2016, dated January 11, 2016)

BY GRACE OF GOD THE ALMIGHTY

THE BOARD OF COMMISSIONERS OF THE FINANCIAL SERVICE AUTHORITIES,

### Considering:

That in the framework of boosting the placement of investment which is secure and suitable to characteristics of long-term liabilities of non-bank financial service as well as driving the role of domestic investors in the financing of national development, it is necessary to stipulate a regulation of the Financial Service Authorities on Investment in State Securities for Non-Bank Financial Service Institutions;

### In view of:

1. Law Number 11 Year 1992 on Pension Funds (Statute Book of the Republic of Indonesia Year 1992 Number 37, Supplement to Statute Book of the Republic of Indonesia Number 3477);
2. Law Number 21 Year 2011 on Financial Service Authorities (Statute Book of the Republic of Indonesia Year 2011 Number 111, Supplement to Statute Book of the Republic of Indonesia Number 5253);

3. Law Number 24 Year 2011 on Social Security Management Board (Statute Book of the Republic of Indonesia Year 2011 Number 116, Supplement to Statute Book of the Republic of Indonesia Number 5256);
4. Law Number 40 Year 2014 on Insurance (Statute Book of the Republic of Indonesia Year 2014 Number 337, Supplement to Statute Book of the Republic of Indonesia Number 5618);

### DECIDES:

To stipulate:

**THE INVESTMENT IN STATE SECURITIES FOR NON-BANK FINANCIAL SERVICE INSTITUTIONS.**

### Article 1

Refered to in this regulation of the Financial Service Authorities as:

1. Non-bank Financial Service Institution shall be:
  - a. life insurance firm, general insurance firm, and reinsurance firm, including the firm organizing

- their business business wholly or partly on the basis of sharia principles, as meant in in the insurance legislation;
- b. underwriting institute, including the institute organizing their business wholly or partly on the basis of sharia principle, as meant in underwriting institute legislation
  - c. employer pension funds as meant in pension funds legislation;
  - d. Manpower Social Security Management Board hereinafter called BPJS Manpower as meant in manpower social security management board legislation; and
  - e. Medical Social Security Management Board hereinafter called BPJS Health as meant in social security management board legislation.
2. State Securities hereinafter abbreviated to SBN shall be securities issued by the Government of the Republic of Indonesia, including state debentures as meant in Law Number 24 Year 2002 on State Debenture and Sharia State Securities as meant in Law Number 19 Year 2008 on Sharia State Securities.
  3. Social Security Funds shall be trustee funds of the whole participants, which constitute the accumulation of contributions as well as the development proceeds thereof managed by BPJS Manpower and BPJS Health for the payment of benefit to participants and the payment of operational activities of social security program.
  4. Manpower Social Security Funds shall be funds of social security for working accident, death, old age and pension.
  5. Financial Service Authorities hereinafter abbreviated to OJK shall be the financial service authorities as meant in Law Number 21 Year 2011 on Financial Service Authorities.

## Article 2

(1) Non-bank Financial Service Institutions shall be obliged to place investment in SBN:

- a. in the case of life insurance firms, including the firms organizing their business wholly or partly on the basis of sharia principles, minimally 30% (thirty percent) of the total investment of the company;
- b. in the case of general insurance firms and reinsurance firms, including the firms organizing their business wholly or partly on the basis of sharia principle, minimally 20% (twenty percent) of the total investment of the company;
- c. in the case of underwriting institutes, including the institutes organizing their business wholly or partly on the basis of sharia principle, minimally 20% (twenty percent) of the total investment of the underwriting institute;

- d. in the case of employer pension funds, minimally 30% (thirty percent) of the total investment of the employer pension funds;
  - e. In the case of BPJS Manpower:
    - 1. minimally 50% (fifty percent) of the total investment of the manpower social security funds; and
    - 2. minimally 30% (thirty percent) of the total investment of BPJS Manpower;
  - f. in the case of BPJS Health, minimally 30% (thirty percent) of the total investment of BPJS Health.
- (2) The placement of investment in SBN, in the case of the life insurance firm as meant in paragraph (1) letter a shall not include the investment resulting from insurance products linked to investment having investment composition choice determined by policy holder or participant.

#### Article 3

The placement of investment in SBN as meant in Article 2 in the case of non-bank financial service institution already operating before the promulgation of this regulation shall be obliged to fulfill phases:

- a. in the case of life insurance firms, including the firms organizing their business wholly or partly on the basis of sharia principles and employer pension funds:
  - 1. minimally 20% (twenty percent) of the total investment in no later than December 31, 2016; and
  - 2. minimally 30% (thirty percent) of the total investment, in no later than December 31, 2017;
- b. in the case of general insurance firms, reinsurance firms and underwriting institutes including those organizing their business wholly or partly on the basis of sharia principles:
  - 1. minimally 10% (ten percent) of the total investment, in no later than December 31, 2016; and
  - 2. minimally 20% (twenty percent) of the total investment, in no later than December 31, 2017;
- c. in the case of BPJS Manpower and BPJS Health, in no later than December 31, 2016.

#### Article 4

The calculation of the investment placed in SBN as meant in Article 2 and Article 3 shall include the ownership of SBN by non-bank financial service institutions through mutual funds.

#### Article 5

- (1) Non-bank financial service institutions not abiding by the provision of Article 2 and Article 3 in this regulation shall be subject to administrative sanction in the form of:
- a. written warning;

- b. repeated fit and proper test for controller, directors, board of commissioners or the equivalent to board of directors and board of commissioners in non-bank financial service institutions; and/or
  - c. prohibition from becoming shareholder, controller, board of directors, board of commissioner, sharia supervisory board and/or executive position subordinate to board of director or the equivalent to shareholder, board of directors and/or board of commissioners in non bank financial service institution.
- (2) The sanction as meant in paragraph (1) letter a shall be granted in writing maximally 3 (three) times consecutively with a period maximally 60 (sixty) days each as from the stipulation of the sanction.

#### Article 6

With the enforcement of this regulation, the provision on the minimum investment in SBN for non-bank financial service institutions shall abide by this regulation.

#### Article 7

The regulation shall come into force as from the date of promulgation.

For public cognizance, the regulation shall be promulgated by placing it in State Gazette of the Republic of Indonesia.

Stipulated in Jakarta

On January 11, 2016

THE CHAIRMAN OF THE BOARD OF COMMISSIONERS OF THE FINANCIAL SERVICE AUTHORITIES

Sgd

MULIAMAN D. HADAD

Promulgated in Jakarta

On January 12, 2016

THE MINISTER OF LAW AND HUMAN RIGHTS OF THE REPUBLIC OF INDONESIA

sgd

YASONNA H. LAOLY

STATUTE BOOK OF THE REPUBLIC OF INDONESIA

YEAR 2016 NUMBER 7

## ELUCIDATION

ON

Article 1

REGULATION OF THE FINANCIAL SERVICE AUTHORITIES NUMBER 1 /POJK.05/2016

REGARDING

INVESTMENT IN STATE SECURITIES FOR NON-BANK FINANCIAL SERVICE INSTITUTIONS

in the case of companies executing their business wholly or partly on the basis of shares, the application to place investment in SBI is applied separately for shares and conventional business.

## I. GENERAL

OJK constitutes an independent institute established so that the provision of financial service can be executed regularly, fairly, transparently and accountably, realize financial system growing sustainably and stably and protect interest of consumers and communities. By the goal, OJK is expected to be able to support interest of the financial service sector nationally and protect national interest.

In the framework of supporting interest of financial service sector nationally and preserving national interest, harmonization in the formulation of policies, particularly with the government is needed.

Amind the ongoing economic downturns, the government needs funding sources to finance long-term development programs by issuing SBN. The availability of SBN and market liquidity of SBN constitutes an important factor in national stability and the two factors are heavily influenced by the role of investors.

The funding need of the government in SBN is suitable to characteristics of non-bank financial service institution which constitutes long-term investor.

In the framework of harmonizing characteristics of non-bank financial service institute and boosting the role of domestic investors so as to participate in the financing of national development, OJK needs to boost non-bank financial service institutes to invest in SBN.

The regulation rules the obligation of non-financial service institute to place investment in the form of SBN.

**II. ARTICLE BY ARTICLE****Article 1**

Sufficiently clear

**Article 2**

In the case of companies executing their business wholly or partly on the basis of sharia principle, the obligation to place investment in SBI is applied separately for sharia unit and conventional business.

**Article 3**

Already operating means already securing business license in the case of life insurance firm, general insurance firm, reinsurance firm, and undewriting institutes, including those executing their business wholly or partly on the basis of sharia principle or already securing legalization in the case of employer pension funds

**Article 4 up to Article 7**

Sufficiently clear

**SUPPLEMENT TO STATUTE BOOK OF THE REPUBLIC OF INDONESIA NUMBER 5834**

(R)